

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Governmental Oversight and Accountability

BILL: SB 512

INTRODUCER: Senator Justice

SUBJECT: Local Government Officers and Employees

DATE: March 15, 2010

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wolfgang	Yeatman	CA	Favorable
2.	Wilson	Wilson	GO	Favorable
3.			GA	
4.			WPSC	
5.				
6.				

I. Summary:

This bill removes the population limitation on counties, municipalities, and district school boards eligible to apply to participate in the state group health insurance plan and the prescription drug coverage program so that all counties, municipalities, and district school boards may apply. Special taxing districts are also authorized to apply for participation in the state group health insurance plan and the prescription drug coverage program.

This bill substantially amends s. 110.1228, F.S.

II. Present Situation:

State Group Health Insurance Plan

Section 110.123, F.S., provides opportunities for state employees to receive health insurance and prescription drug coverage through enrollment in a self-insured, preferred provider organization (PPO) or a health maintenance organization (HMO). Participation is voluntary and employees may change plans during the annual open enrollment period. The state provides a uniform premium contribution for both plan types but charges do vary between management and non-management positions. Also, a jointly employed spousal benefit frees both members from premium costs. The February 22, 2010 consensus estimates prepared by the Department of Management Services indicated 178,339 enrollees, excluding dependents, participating in the State Group Health Insurance Program.

The State Employees' PPO plan is administered by BlueCross Blue Shield of Florida, Inc. which is responsible for processing all claims, providing access to a preferred provider network, and

managing customer service and case management. The plan has a per person lifetime benefit, has annual out-of-pocket limits per individual and per family for both the standard and investor PPO plans, has a pre-existing condition exclusion, and carries a prescription drug benefit administered by Caremark RX, Inc.

Each HMO is a self-administered, prepaid health plan that provides services to people who work and live within the HMO service area. Employees living in an area without a participating HMO can only choose the PPO plan.¹ The five following HMOs provide insurance to state employees: AvMed, Capital Health Plan, Florida Health Care Plan, VISTA, and UnitedHealthCare. Under an HMO, there is no maximum lifetime benefit, there is a per individual and per family out-of-pocket limit for both the standard and investor plans, no pre-existing exclusions or waiting periods apply, and there is a prescription drug benefit.

Group Insurance for Local Government Units

Section 112.08, F.S., authorizes every local government unit to pay for a variety of insurance expenses, including health insurance, for the officers and employees of the local government unit. Purchases must be competitively bid and procured on the basis of the bids. As an alternative, a local government unit may self-insure, subject to approval of actuarial soundness by the Office of Insurance Regulation.

In 1999, representatives of small cities in Florida mailed 400 letters to cities with a population of less than 20,000. Twenty-eight cities expressed interest in joining the state health insurance plan with twenty-six cities passing resolutions of support. That same year, the Small School District Consortium surveyed their membership (population of 75,000 or less). Some eighty-five percent of the respondents indicate support for plan participation.²

Participation by Small Counties, Small Municipalities, and District School Boards Located in Small Counties

Section 110.1228, F.S., enacted in 2001, authorizes counties with a population of 100,000 or fewer, cities with a population of 12,500 or fewer, and district school boards located in small counties or receiving a sparsity supplement under the Florida Education Finance Program (FEFP) to apply for participation in the state group insurance program and the prescription drug coverage program. Applicants are required to submit a \$500 non-refundable application fee to the Department of Management Services to determine eligibility for participation.

If eligible to participate, the applicant must agree to a minimum enrollment or contractual period of 3 years, must pay an initial administrative fee of at least \$2.61 per enrollee³, submit written notice of termination of participation not later than 1 year prior to the termination date, and agree to reimburse the state for 100 percent of its costs, including administrative costs. Eligible participants must adopt the state's eligibility rules, may not participate in the state's pretax

¹ Glades, Gulf, Hardee, Holmes, Jackson, Monroe, Sumter, and Washington counties only offer the State Employees' PPO plan.

² See "Senate Staff Analysis and Economic Impact Statement", CS/SB 1172, prepared by the staff of the Governmental Oversight and Productivity Committee of the Florida Senate, dated April 2, 2001.

³ See s. 110.1228(5)(b), F.S.

cafeteria plan, and must pay monthly premiums in an amount sufficient to cover claim costs, third-party administrative costs, and the department's administrative costs. In addition, participants must provide for adequate cash reserves and cash flow by contributing a total of three months of premiums and costs in advance of the coverage date. To date, no applications for participation have been submitted by a small county, small city, or district school board.

Special Districts in Florida

The Florida Constitution specifically provides for four types of local governments: counties, municipalities, school districts, and special districts. The 67 counties are subdivisions of the state, and provide a variety of core services through constitutional officers (county commissioners, sheriff, tax collector, property appraiser, supervisor of elections, and clerk of the court) pursuant to authority granted in the constitution and consistent with general law.⁴ The 67 school districts are coterminous with the boundaries of the county. Each school district is governed by a school board who is responsible for the operation, control and supervision of all free public schools within the district.⁵ Florida's more than 400 municipalities exist pursuant to charters established by law and approved by the electorate in a referendum. They possess "home rule" authority to provide traditional municipal services, to the extent consistent with their charges and not inconsistent with general law.⁶ The State Constitution limits the property taxing authority of each of these forms of government to a maximum of 10 mills⁷ on the assessed value of real estate and tangible personal property.⁸

Section 189.403(1), F.S., provides that a special district is "a local unit of special purpose, as opposed to general-purpose, government within a limited boundary, created by general law, special act, local ordinance, or by rule of the Governor and Cabinet." Special districts are limited-purpose units of local government. Their property tax millage is limited by general law and subject to referendum approval by the affected electorate.⁹ Special districts are subject to the same restrictions on credit,¹⁰ bonding,¹¹ public records and meetings,¹² as are counties, municipalities, and school districts.¹³

Special districts are either dependent or independent districts. Special districts operate within a limited geographical area and have a governing board with policy making powers. A special district does not include: a school district, community college, municipal service taxing or benefit unit (MSTU/MSBU), or a board providing electrical service that is a political subdivision of a municipality or part of a municipality.

⁴ Art. VIII, § 1, Fla. Const.

⁵ Art. IX, § 4(a), Fla. Const.

⁶ Art. VIII, § 2 Fla. Const.

⁷ A "mill" is equal to \$1 for each \$1,000 of assessed value.

⁸ Art. VII, § 9, Fla. Const.

⁹ Art. VII, § 9, Fla. Const.

¹⁰ Art. VII, § 10, Fla. Const.

¹¹ Art. VII, § 12, Fla. Const.

¹² Art. I, § 24, Fla. Const.

¹³ Art. VII, § 8, Fla. Const.

All special districts serve a public purpose and are to be held accountable to the public, local general-purpose governments, and state agencies. Special districts are subject to financial reporting requirements, which are an essential element of the law.

For financial reporting and other purposes, special districts are classified as either dependent or independent. A district is usually dependent if a single county or single municipality:

- has an identical governing board;
- appoints the governing board;
- may remove governing board members at will during unexpired terms;
- approves the budget; or
- may veto the budget.

Otherwise, the district is an independent district. Independent districts can sometimes occupy multiple counties. Florida currently has 1,011 independent districts and 614 dependent districts. Special districts include the five water management districts, community development districts, community redevelopment districts, drainage and water control districts, housing authorities, fire control and rescue, and soil and water conservation districts,¹⁴ as well as districts that provide a variety of governmental services pertaining to airports, the arts, beach restoration, expressways and bridges, health care, housing, juvenile welfare, libraries, mosquito control, and transportation.

III. Effect of Proposed Changes:

Section 1 amends s. 110.1228, F.S., to allow the governing body of **any** county, municipality, **special taxing district**, or school board to apply for participation in the state group health insurance program and the prescription drug coverage program. Each governing body electing to participate must submit a \$500 nonrefundable application fee to the Department of Management Services.

Section 2 provides an effective date of July 1, 2010.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Participation in the state group health insurance program is optional, and therefore, this bill is not a mandate or restriction.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

¹⁴ DEPARTMENT OF COMMUNITY AFFAIRS, OFFICIAL LIST OF SPECIAL DISTRICTS ONLINE, *available at*, www.floridaspecialdistricts.org.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

Indeterminate at this time. However, existing local health care providers could experience membership erosion and the associated loss of local provider access in the area which could result in the provider exiting the community in its entirety. Also, if a local government does decide to terminate participation, there may be no successor provider in the community.

Supplemental insurance carriers may experience a reduction in membership because the provisions of the state group plan, including the pre-tax benefit programs that permit reimbursement for out-of-pocket expenses, may eliminate the need for supplemental health insurance.

C. Government Sector Impact:

The impact to local governments is indeterminate at this time, but it is likely that costs will be incurred relating to the solicitation of bid proposals such as advertising and public notice expenses, and attorney fees relating to document preparation and review for local governments with contract legal counsel. The relative benefit and impact to local government units and their employees will be determined by each group opting to participate in the state plan, and will be based on existing plan benefits and costs as compared to the benefits and costs of the state group plan.

If applications are received, the Division of State Group Insurance reports that budget authority and appropriations for program implementation may be required. The reason the Division thinks that it will require appropriations is that the Division's enrollment systems are not designed to interface with the entities eligible for participation under this legislation. Associated costs depend in part on the particular entities and their systems. Administrative systems for enrollment, eligibility determination, and premium collection must be established prior to adding a new group. No positions or funding are currently assigned to implement this program. Establishing rates requires actuarial analysis of the applicant group. The Division currently does not receive funding to conduct the analysis needed to establish rates for consideration by an applicant entity. However, the program is designed to pass on all costs that the Division incurs to the participating entity.

In 2001, the Division of State Group Insurance estimated a fiscal impact of \$314,000 to the division for additional staff salaries and benefits, technology services, and open enrollment and communication costs. According to the Division, enrollment of less than 10,000 employees under the provisions of s. 110.1228, F.S., would make it difficult to sufficiently spread the administrative expenses. The State Group Program does not incur

costs pursuant to this legislation, unless and until an application is made to the Division. The table below reports the state plan premiums beginning May 2010 and incorporate a five percent premium increase above the April 2010 rates:

Monthly Health Insurance Premium Rate Table, Effective May 2010¹⁵

Category and Coverage Type	PPO/HMO Standard, Total	PPO/HMO HIHP, Total
Full Time		
Single	\$ 523.62	\$ 488.62
Family	\$ 1,184.14	\$ 1,068.44
Spouse	\$ 1,184.14	\$ 1,068.44
COBRA		
Single	\$ 534.09	\$ 455.90
Family	\$ 1,207.82	\$ 1,004.81
"Early" retirees		
Single	\$ 523.62	\$ 446.96
Family	\$ 1,184.14	\$ 985.11
Medicare		
One eligible	\$ 278.02	\$ 209.56
One over/under	\$ 801.64	\$ 656.52
Both eligible	\$ 556.04	\$ 419.12
Overage Dependents	\$ 523.62	\$ 446.96

VI. Technical Deficiencies:

None.

VII. Related Issues:

“Special taxing districts” is a term used, but undefined, throughout Florida Statutes, and usually refers to dependent or independent special districts with ad valorem taxing power or the authority to impose special assessments.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill’s introducer or the Florida Senate.

¹⁵ Office of Economic and Demographic Research, The Florida Legislature, *Self-Insurance Estimating Conference*, February 22, 2010, Exhibit XI, p. 14. Amounts are monthly premiums paid by employer and employee or retiree.